

105TH CONGRESS
1ST SESSION

H. R. 561

To amend the Internal Revenue Code of 1986 to require that group health plans and insurers offer access to coverage for children and to assist families in the purchase of such coverage, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1997

Mr. STARK introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to require that group health plans and insurers offer access to coverage for children and to assist families in the purchase of such coverage, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; FINDINGS; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “**Children Health Insurance Act of 1997**”.

6 (b) **FINDINGS.**—Congress finds that—

1 (1) it is in the national interest to ensure that
2 every American child has access to affordable health
3 care;

4 (2) no family should be forced to choose be-
5 tween health care for its children and other essential
6 needs;

7 (3) 10,500,000 children in the United States
8 under the age of 19 have no health insurance cov-
9 erage, and 90 percent of these children have parents
10 who work, and too many of these children go with-
11 out needed health care;

12 (4) families have an obligation to contribute to
13 the cost of health insurance coverage for their chil-
14 dren, consistent with their ability to pay; and

15 (5) the Federal Government has an obligation
16 to help families provide health insurance coverage
17 for children.

18 (c) TABLE OF CONTENTS.—The table of contents of
19 this Act is as follows:

Sec. 1. Short title; findings; table of contents.

Sec. 2. Health insurance availability for children.

Sec. 3. Refundable credit for purchase of health insurance coverage for children.

Sec. 4. Employer may not discriminate against subsidy eligible individuals.

Sec. 5. Medicaid assistance with cost-sharing for qualifying children with family
income below 150 percent of the poverty line.

Sec. 6. Grants to States for health insurance outreach and information pro-
grams.

1 **SEC. 2. HEALTH INSURANCE AVAILABILITY FOR CHILDREN.**

2 (a) IN GENERAL.—The Internal Revenue Code of
3 1986 (as amended by the Health Insurance Portability
4 and Accountability Act of 1996) is amended by adding at
5 the end the following:

6 **“Subtitle L—Health Insurance**
7 **Availability for Children**

8 **“CHAPTER 101—HEALTH INSURANCE**
9 **AVAILABILITY FOR CHILDREN**

“Sec. 9901. Excise tax on failure to meet requirement of access
to coverage.

“Sec. 9902. Requirement of access to coverage.

“Sec. 9903. Definitions.

10 **“SEC. 9901. EXCISE TAX ON FAILURE TO MEET REQUIRE-**
11 **MENT OF ACCESS TO COVERAGE.**

12 “(a) IMPOSITION OF TAX.—There is hereby imposed
13 a tax on the failure of—

14 “(1) a group health plan to meet the coverage
15 requirements of section 9902(a); and

16 “(2) an insurer that offers health insurance
17 coverage in the individual market to meet the re-
18 quirements of section 9902(b).

19 “(b) AMOUNT OF TAX.—

20 “(1) GROUP HEALTH PLAN.—

21 “(A) IN GENERAL.—The amount of tax
22 imposed by subsection (a)(1) on any failure
23 with respect to a participant or beneficiary of a

1 group health plan shall be 25 percent of each
2 premium received by the group health plan for
3 the plan year in which such failure occurs.

4 “(B) SELF-INSURED PLANS.—In the case
5 that the group health plan is self-insured, the
6 cost to the plan of the coverage of participants
7 and beneficiaries shall be treated as the pre-
8 mium received for the purposes of subpara-
9 graph (A).

10 “(2) INSURER OFFERING INDIVIDUAL HEALTH
11 INSURANCE COVERAGE.—The amount of tax im-
12 posed by subsection (a)(2) on any failure of an in-
13 surer with respect to an individual described in para-
14 graph (1) or (2) of section 9902(b) shall be 25 per-
15 cent of the total amount of the premiums paid to the
16 insurer for such coverage for the plan year in which
17 such failure occurs.

18 “(c) LIMITATIONS ON AMOUNT OF TAX.—

19 “(1) TAX NOT TO APPLY WHERE FAILURE NOT
20 DISCOVERED EXERCISING REASONABLE DILI-
21 GENCE.—No tax shall be imposed by subsection (a)
22 on any failure during any period for which it is es-
23 tablished to the satisfaction of the Secretary that
24 none of the persons referred to in subsection (e)

1 knew, or exercising reasonable diligence would have
2 known, that such failure existed.

3 “(2) TAX NOT TO APPLY TO FAILURES COR-
4 RECTED WITHIN 30 DAYS.—No tax shall be imposed
5 by subsection (a) on any failure if—

6 “(A) such failure was due to reasonable
7 cause and not to willful neglect, and

8 “(B) such failure is corrected during the
9 30-day period beginning on the 1st date any of
10 the persons referred to in subsection (e) knew,
11 or exercising reasonable diligence would have
12 known, that such failure existed.

13 “(3) WAIVER.—In the case of a failure which is
14 due to reasonable cause and not to willful neglect,
15 the Secretary may waive part or all of the tax im-
16 posed by subsection (a) to the extent that the pay-
17 ment of such tax would be excessive relative to the
18 failure involved.

19 “(d) TAX NOT TO APPLY TO CERTAIN PLANS.—This
20 section shall not apply to—

21 “(1) any governmental plan (within the mean-
22 ing of section 414(d)), or

23 “(2) any church plan (within the meaning of
24 section 414(e)).

1 “(e) LIABILITY FOR TAX.—The following shall be re-
2 sponsible for the tax imposed by subsection (a):

3 “(1) In the case of the tax imposed by sub-
4 section (a)(1) on a group health plan, the plan.

5 “(2) In the case of the tax imposed by sub-
6 section (a)(2) on an insurer offering health insur-
7 ance coverage, the insurer.

8 **“SEC. 9902. REQUIREMENT OF ACCESS TO COVERAGE.**

9 “(a) GROUP HEALTH PLANS.—

10 “(1) IN GENERAL.—Each group health plan
11 that provides coverage to any participant (or bene-
12 ficiary) must make available qualifying coverage for
13 each qualifying young dependent of an individual
14 who is a participant or beneficiary under the plan.

15 “(2) TIMING OF OFFER.—The offer under para-
16 graph (1) shall be made at the time a person first
17 becomes a qualifying young dependent and at least
18 annually thereafter.

19 “(b) HEALTH INSURANCE COVERAGE.—Each insurer
20 that offers health insurance coverage in the individual
21 market must offer qualifying coverage for each individual
22 who is under 21 years of age, residing in the United
23 States, and a citizen or national of the United States (or
24 alien permanently residing in the United States under
25 color of law).

1 “(c) QUALIFYING COVERAGE.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘qualifying cov-
4 erage’ means coverage of health care benefits that
5 the Secretary of Health and Human Services deter-
6 mines approximates the following benefits, without
7 any limitation based on a pre-existing condition with
8 respect to such benefits and without any waiting pe-
9 riod for coverage with respect to such benefits at a
10 premium or other charge that is reasonably priced
11 (within the meaning of paragraph (3)):

12 “(A) MEDICARE BENEFITS.—Benefits pro-
13 vided under parts A and B of title XVIII of the
14 Social Security Act, or benefits determined to
15 be actuarially equivalent to (or greater than)
16 such benefits; except that, subject to subpara-
17 graph (D), in no case shall the coinsurance at-
18 tributable to benefits under part B of such title
19 exceed (with respect to provision of an item or
20 service) the lesser of \$10 or 10 percent of the
21 recognized payment amount with respect to
22 such item or service (determined without regard
23 to cost-sharing).

24 “(B) WELL CHILD CARE BENEFITS.—

1 “(i) IN GENERAL.—Payment for the
2 following items and services, without the
3 application of deductibles, coinsurance, and
4 copayments:

5 “(I) Newborn and well-baby care,
6 including normal newborn care and
7 pediatrician services for high-risk de-
8 liveries.

9 “(II) Well-child care, including
10 routine office visits, routine immuni-
11 zations (including the vaccine itself),
12 routine laboratory tests, and preven-
13 tive dental care.

14 “(III) Early and periodic screen-
15 ing, diagnostic, and treatment services
16 (as defined in section 1905(r) of the
17 Social Security Act) for individuals
18 under the age of 21.

19 “(ii) PERIODICITY SCHEDULE.—The
20 Secretary, in consultation with the Amer-
21 ican Academy of Pediatrics, shall establish
22 a schedule of periodicity for services de-
23 scribed in clauses (I) and (II) of clause (i)

1 which reflects the general, appropriate fre-
2 quency with which such services should be
3 provided to healthy children.

4 “(C) PRESCRIPTION DRUG BENEFIT.—A
5 benefit for prescription drugs and biologicals
6 necessary to meet catastrophic costs for such
7 drugs and biologicals, as determined by the Sec-
8 retary.

9 “(D) NO COST-SHARING FOR PREVENTIVE
10 SERVICES.—There shall be no deductibles, coin-
11 surance, or other cost sharing imposed with re-
12 spect to benefits for preventive services, as de-
13 fined by the Secretary.

14 “(2) MANAGED CARE PERMITTED.—Nothing in
15 this section shall be construed as limiting the provid-
16 ers through whom the benefits described in para-
17 graph (1) may be provided so long as there is rea-
18 sonable access to such benefits.

19 “(3) REASONABLY PRICED.—For purposes of
20 this subsection, coverage is considered to be ‘reason-
21 ably priced’ only if the premium or other charge for
22 the coverage does not exceed 150 percent of the av-
23 erage price for similar coverage offered in the same

1 State (as determined based upon information pro-
2 vided by the Secretary of Health and Human Serv-
3 ices).

4 “(d) QUALIFYING YOUNG DEPENDENT.—For pur-
5 poses of this section, the term ‘qualifying young depend-
6 ent’ means an individual who is under 21 years of age,
7 residing in the United States, is a citizen or national of
8 the United States (or alien permanently residing in the
9 United States under color of law), and a dependent (as
10 defined in section 152).

11 **“SEC. 9903. DEFINITIONS.**

12 “In this chapter—

13 “(1) GROUP HEALTH PLAN.—The term ‘group
14 health plan’ has the meaning given such term in sec-
15 tion 5000(b)(1), but does not include such a plan
16 that has medical benefits that only consist of cov-
17 erage described in paragraph (2)(B).

18 “(2) HEALTH INSURANCE COVERAGE.—

19 “(A) IN GENERAL.—Except as provided in
20 subparagraph (B), the term ‘health insurance
21 coverage’ means benefits consisting of medical
22 care (provided directly, through insurance or re-
23 imbursement, or otherwise) under any hospital
24 or medical service policy or certificate, hospital
25 or medical service plan contract, or health

1 maintenance organization group contract of-
2 fered by an insurer or a health maintenance or-
3 ganization.

4 “(B) EXCEPTION.—Such term does not in-
5 clude coverage under any separate policy, cer-
6 tificate, or contract only for one or more of any
7 of the following:

8 “(i) Coverage for accident, credit-only,
9 vision, disability income, long-term care,
10 nursing home care, community-based care
11 dental, on-site medical clinics, or employee
12 assistance programs, or any combination
13 thereof.

14 “(ii) Medicare supplemental health in-
15 surance (within the meaning of section
16 1882(g)(1) of the Social Security Act (42
17 U.S.C. 1395ss(g)(1))) and similar supple-
18 mental coverage provided under a group
19 health plan.

20 “(iii) Coverage issued as a supplement
21 to liability insurance.

22 “(iv) Liability insurance, including
23 general liability insurance and automobile
24 liability insurance.

1 “(v) Workers’ compensation or similar
2 insurance.

3 “(vi) Automobile medical-payment in-
4 surance.

5 “(vii) Coverage for a specified disease
6 or illness.

7 “(viii) Hospital or fixed indemnity in-
8 surance.

9 “(ix) Short-term limited duration in-
10 surance.

11 “(x) Such other coverage, comparable
12 to that described in previous clauses, as
13 may be specified in regulations prescribed
14 under this title.

15 “(3) HEALTH MAINTENANCE ORGANIZATION.—
16 The term ‘health maintenance organization’
17 means—

18 “(A) a Federally qualified health mainte-
19 nance organization (as defined in section
20 1301(a) of the Public Health Service Act (42
21 U.S.C. 300e(a))),

22 “(B) an organization recognized under
23 State law as a health maintenance organization,
24 or

1 “(C) a similar organization regulated
2 under State law for solvency in the same man-
3 ner and to the same extent as such a health
4 maintenance organization,
5 if it is subject to State law which regulates insur-
6 ance (within the meaning of section 514(b)(2) of the
7 Employee Retirement Income Security Act of 1974).

8 “(4) INSURER.—The term ‘insurer’ means an
9 insurance company, insurance service, or insurance
10 organization (including a health maintenance organi-
11 zation) which is licensed to engage in the business
12 of insurance in a State and which is subject to State
13 law which regulates insurance (within the meaning
14 of section 514(b)(2)(A) of the Employee Retirement
15 Income Security Act of 1974).

16 “(5) INDIVIDUAL MARKET.—The term ‘individ-
17 ual market’ means the market for health insurance
18 coverage offered to individuals and not to employers
19 or in connection with a group health plan and does
20 not include the market for such coverage issued only
21 by an insurer that makes such coverage available
22 only on the basis of affiliation with an association.

23 “(6) INCORPORATION OF CERTAIN DEFINI-
24 TIONS.—The terms ‘beneficiary’ and ‘participant’
25 have the meanings given such terms in section 3 of

1 the Employee Retirement Income Security Act of
2 1974.”.

3 (b) CLERICAL AMENDMENT.—The table of contents
4 for the Internal Revenue Code of 1986 is amended by add-
5 ing after the item relating to subtitle K the following new
6 item:

“Subtitle L. Health Insurance Availability for Children.”

7 (c) EFFECTIVE DATE.—The requirement of section
8 9902 of the Internal Revenue Code of 1986 (as added by
9 subsection (a) of this section) shall take effect on January
10 1, 1998, and shall apply to coverage offered on or after
11 such date regardless of whether the plan year began before
12 such date.

13 **SEC. 3. REFUNDABLE CREDIT FOR PURCHASE OF HEALTH**
14 **INSURANCE COVERAGE FOR CHILDREN.**

15 (a) GENERAL RULE.—Subpart C of part IV of sub-
16 chapter A of chapter 1 of the Internal Revenue Code of
17 1986 is amended by redesignating section 35 as section
18 36 and by inserting after section 34 the following new sec-
19 tion:

20 **“SEC. 35. PURCHASE OF HEALTH INSURANCE COVERAGE**
21 **FOR CHILDREN.**

22 “(a) GENERAL RULE.—In the case of an individual,
23 there shall be allowed as a credit against the tax imposed
24 by this subtitle for the taxable year an amount equal to
25 95 percent of the amount paid by the taxpayer during the

1 taxable year for insurance which constitutes medical care
2 (as defined in section 213) for a qualifying child of the
3 taxpayer.

4 “(b) LIMITATIONS BASED ON ADJUSTED GROSS IN-
5 COME AND EMPLOYER CONTRIBUTIONS.—

6 “(1) LIMITATION BASED ON AGI.—

7 “(A) IN GENERAL.—No credit shall be al-
8 lowed under subsection (a) for any taxable year
9 for which the taxpayer’s adjusted gross income
10 exceeds the applicable dollar amount by
11 \$10,000 or more.

12 “(B) PHASEOUT.—If the taxpayer’s ad-
13 justed gross income for the taxable year exceeds
14 the applicable dollar amount by less than
15 \$10,000, the credit which would (but for this
16 paragraph) be allowed under subsection (a)
17 shall be reduced (but not below zero) by an
18 amount which bears the same ratio to such
19 credit as such excess bears to \$10,000. Any re-
20 duction under the preceding sentence which is
21 not a multiple of \$10 shall be rounded to the
22 next lowest \$10.

23 “(C) APPLICABLE DOLLAR AMOUNT.—The
24 term ‘applicable dollar amount’ means the sum
25 of—

1 “(i) \$15,000, plus

2 “(ii) \$5,000 for each qualifying child
3 of the taxpayer who is covered by the in-
4 surance referred to in subsection (a).

5 “(2) REDUCTION BASED ON EMPLOYER CON-
6 TRIBUTION.—The amount of any credit allowed
7 under subsection (a) for any taxable year shall be re-
8 duced by the amount (if any) of an employer con-
9 tribution that is made (or offered to be made) on be-
10 half of the individual toward the premium for the in-
11 surance for periods during such year.

12 “(c) QUALIFYING CHILD.—

13 “(1) IN GENERAL.—Subject to paragraph (2),
14 for the purposes of this section, the term ‘qualifying
15 child’ has the meaning given such term by section
16 32(c)(3).

17 “(2) EXCEPTIONS.—Such term does not in-
18 clude—

19 “(A) an individual who has applied and
20 been determined eligible for medical assistance
21 under title XIX of the Social Security Act, until
22 such time as the individual is no longer eligible
23 for such assistance; and

24 “(B) an individual who is residing in a
25 State (as defined for purposes of such title)

1 that the Secretary of Health and Human Serv-
2 ices determines has reduced eligibility require-
3 ments for children under a State plan under
4 such title below that in effect as of January 1,
5 1997, until such time as such Secretary deter-
6 mines the State no longer has reduced such re-
7 quirements.

8 “(d) SPECIAL RULES.—

9 “(1) ONLY QUALIFYING CHILDREN MAY BE
10 COVERED BY INSURANCE.—No amount shall be
11 treated as paid for insurance under subsection (a) if
12 any individual other than a qualifying child of the
13 taxpayer is covered under such insurance. The prin-
14 ciples of section 213(d)(6) shall apply for purposes
15 of the preceding sentence.

16 “(2) ONLY REASONABLY PRICED COVERAGE
17 QUALIFIES.—No amount shall be treated as paid for
18 insurance under subsection (a) if the premium or
19 other charge for the insurance is not reasonably
20 priced (within the meaning of section 9902(c)(3)).

21 “(3) CERTAIN PLANS TREATED AS INSUR-
22 ANCE.—For purposes of this section, the term ‘in-
23 surance’ includes coverage under a State high risk
24 pool plan or under a governmental plan (within the
25 meaning of section 414(d)).

1 “(4) CERTAIN RULES TO APPLY.—Rules similar
2 to the rules of subsections (d), (e), and (h) of section
3 32, and section 213(d)(6), shall apply for purposes
4 of this section.

5 “(5) SECTION NOT TO APPLY TO LONG-TERM
6 CARE INSURANCE.—This section shall not apply to
7 insurance which constitutes medical care by reason
8 of section 213(d)(1)(C).

9 “(6) DISQUALIFICATION OF CERTAIN INSUR-
10 ANCE.—If the Secretary of Health and Human Serv-
11 ices determines, based on information provided by a
12 State or otherwise, that an issuer of insurance under
13 this section has engaged in a pattern of abuse or
14 misrepresentation of such insurance, this section
15 shall not apply to insurance issued by such issuer
16 until such Secretary is satisfied that such pattern
17 has been remedied and will not recur.

18 “(e) COORDINATION WITH OTHER PROVISIONS.—

19 “(1) DEDUCTION FOR MEDICAL EXPENSES.—
20 The amount taken into account in computing the
21 credit under subsection (a) shall not be taken into
22 account in computing the amount allowable to the
23 taxpayer as a deduction under section 213(a).

24 “(2) DEDUCTION FOR HEALTH INSURANCE
25 COSTS OF SELF-EMPLOYED INDIVIDUALS.—No

1 amount taken into account under section 162(l) may
2 be taken into account under this section.”

3 (b) ADVANCE PAYMENT OF CREDIT.—

4 (1) IN GENERAL.—Chapter 25 of such Code
5 (relating to general provisions relating to employ-
6 ment taxes) is amended by inserting after section
7 3507 the following new section:

8 **“SEC. 3507A. ADVANCE PAYMENT OF CHILDREN’S HEALTH**
9 **INSURANCE CREDIT.**

10 “(a) GENERAL RULE.—Except as otherwise provided
11 in this section, every employer making payment of wages
12 to an employee with respect to whom a children’s health
13 insurance credit eligibility certificate is in effect shall, at
14 the time of paying such wages, make an additional pay-
15 ment equal to the children’s health insurance credit ad-
16 vance amount of such employee.

17 “(b) CHILDREN’S HEALTH INSURANCE CREDIT ELI-
18 GIBILITY CERTIFICATE.—For purposes of this title, a chil-
19 dren’s health insurance credit eligibility certificate is a
20 statement furnished by an employee to the employer
21 which—

22 “(1) certifies that the employee will be eligible
23 to receive the credit provided by section 35 for the
24 taxable year,

1 “(2) certifies that the employee does not have
2 a children’s health insurance credit eligibility certifi-
3 cate in effect for the calendar year with respect to
4 the payment of wages by another employer,

5 “(3) states whether or not the employee’s
6 spouse has such a certificate in effect, and

7 “(4) estimates the amount of children’s health
8 insurance credit of the employee for the calendar
9 year.

10 For purposes of this section, a certificate shall be treated
11 as being in effect with respect to a spouse if such a certifi-
12 cate will be in effect on the first status determination date
13 following the date on which the employee furnishes the
14 statement in question.

15 “(c) CHILDREN’S HEALTH INSURANCE CREDIT AD-
16 VANCE AMOUNT.—

17 “(1) IN GENERAL.—For purposes of this title,
18 the term ‘children’s health insurance credit advance
19 amount’ means, with respect to any payroll period,
20 the amount determined—

21 “(A) on the basis of the employee’s wages
22 from the employer for such period,

23 “(B) on the basis of the employee’s esti-
24 mated amount of children’s health insurance

1 credit included in the children's health insur-
2 ance credit eligibility certificate, and

3 “(C) in accordance with tables prescribed
4 by the Secretary.

5 “(2) ADVANCE AMOUNT TABLES.—The tables
6 referred to in paragraph (1)(C)—

7 “(A) shall be similar in form to the tables
8 prescribed under section 3402 and, to the maxi-
9 mum extent feasible, shall be coordinated with
10 such tables and the tables prescribed under sec-
11 tion 3507(c), and

12 “(B) shall be structured to carry out the
13 principles of subparagraphs (B) and (C) of sec-
14 tion 3507(c)(2).

15 “(d) CHILDREN'S HEALTH INSURANCE CREDIT.—
16 For purposes of this section, the term ‘children's health
17 insurance credit’ means the credit allowable by section 35.

18 “(e) OTHER RULES.—For purposes of this section,
19 rules similar to the rules of subsections (d) and (e) of sec-
20 tion 3507 shall apply.

21 “(f) REGULATIONS.—The Secretary shall prescribe
22 such regulations as may be necessary to carry out the pur-
23 poses of this section.”.

1 (2) CLERICAL AMENDMENT.—The table of sec-
2 tions for chapter 25 of such Code is amended by in-
3 serting after the item relating to section 3507 the
4 following new item:

 “Sec. 3507A. Advance payment of children’s health insurance
 credit.”.

5 (c) REPORTING.—

6 (1) IN GENERAL.—Subpart B of part III of
7 subchapter A of chapter 61 of such Code is amended
8 by adding at the end the following new section:

9 **“SEC. 6050S. RETURNS RELATING TO PREMIUMS RECEIVED**
10 **FOR HEALTH INSURANCE COVERAGE FOR**
11 **CHILDREN.**

12 “(a) REQUIREMENT OF REPORTING.—Any person
13 who, in connection with a trade or business, receives from
14 any individual any premium for coverage to which section
15 35 applies shall make a return, according to the forms
16 or regulations prescribed by the Secretary, setting forth—

17 “(1) the aggregate amount of such premiums
18 received from such individual during any calendar
19 year,

20 “(2) the name, address, and TIN of such indi-
21 vidual, and

22 “(3) such other information as the Secretary
23 may prescribe.

1 “(b) STATEMENTS TO BE FURNISHED TO INDIVID-
 2 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
 3 QUIRED.—Every person required to make a return under
 4 subsection (a) shall furnish to each individual whose name
 5 is required to be set forth in such return a written state-
 6 ment showing—

7 “(1) the name, address, and phone number of
 8 the information contact of the person required to
 9 make such return, and

10 “(2) the aggregate amount of premiums de-
 11 scribed in subsection (a) received by such person
 12 from such individual.

13 The written statement required under the preceding sen-
 14 tence shall be furnished to the individual on or before Jan-
 15 uary 31 of the year following the calendar year for which
 16 the return under subsection (a) was required to be made.”

17 (2) PENALTIES.—

18 (A) Subparagraph (B) of section
 19 6724(d)(1) of such Code is amended by redesignig-
 20 nating clauses (x) through (xv) as clauses (xi)
 21 through (xvi), respectively, and by inserting
 22 after clause (ix) the following new clause:

23 “(x) section 6050S (relating to report-
 24 ing of premiums received for health insur-
 25 ance coverage for children),”.

1 (B) Paragraph (2) of section 6724(d) of
 2 such Code is amended by redesignating sub-
 3 paragraph (R) and the succeeding subpara-
 4 graphs as subparagraphs (S) and following, re-
 5 spectively, and by inserting after subparagraph
 6 (Q) the following new subparagraph:

7 “(R) section 6050S(b) (relating to report-
 8 ing of premiums received for health insurance
 9 coverage for children),”.

10 (3) CLERICAL AMENDMENT.—The table of sec-
 11 tions for subpart B of part III of subchapter A of
 12 chapter 61 of such Code is amended by adding at
 13 the end the following new item:

“Sec. 6050S. Returns relating to premiums received for health in-
 surance coverage for children.”

14 (d) TECHNICAL AND CONFORMING AMENDMENTS.—

15 (1) Paragraph (2) of section 1324(b) of title
 16 31, United States Code, is amended by inserting be-
 17 fore the period “or from section 35 of such Code”.

18 (2) The table of sections for subpart C of part
 19 IV of subchapter A of chapter 1 of such Code is
 20 amended by striking the item relating to section 35
 21 and inserting the following new items:

“Sec. 35. Purchase of health insurance coverage for children.
 “Sec. 36. Overpayments of tax.”

22 (e) EFFECTIVE DATE.—

1 (1) IN GENERAL.—Except as otherwise pro-
2 vided in this subsection, the amendments made by
3 this section shall apply to taxable years beginning
4 after December 31, 1997.

5 (2) ADVANCE PAYMENTS.—The amendment
6 made by subsection (b) shall apply to remuneration
7 paid after December 31, 1997.

8 (3) REPORTING.—The amendment made by
9 subsection (c) shall apply to payments received after
10 December 31, 1997.

11 **SEC. 4. EMPLOYER MAY NOT DISCRIMINATE AGAINST SUB-**
12 **SIDY ELIGIBLE INDIVIDUALS.**

13 (a) GENERAL RULE.—Any employer which elects to
14 make employer contributions on behalf of an individual
15 who is an employee of such employer, or who is a depend-
16 ent of such employee, for health insurance coverage shall
17 not condition, or vary, such contributions with respect to
18 any such individual by reason of such individual's status
19 as an individual eligible for a tax credit under section 35
20 of the Internal Revenue Code of 1986 (as added by section
21 3 of this Act).

22 (b) ELIMINATION OF CONTRIBUTIONS.—An employer
23 shall not be treated as failing to meet the requirements
24 of subsection (a) if the employer ceases to make employer

1 contributions for health insurance coverage for all its em-
2 ployees.

3 **SEC. 5. MEDICAID COST-SHARING ASSISTANCE FOR QUALI-**
4 **FYING CHILDREN WITH FAMILY INCOME**
5 **BELOW 150 PERCENT OF THE POVERTY LINE.**

6 (a) IN GENERAL.—Section 1902 of the Social Secu-
7 rity Act (42 U.S.C. 1396a) is amended—

8 (1) in subsection (a)(10)(E)—

9 (A) by striking “and” at the end of clause
10 (ii), and

11 (B) by inserting at the end the following
12 new clause:

13 “(iv) for making medical assistance avail-
14 able for cost-sharing assistance described in
15 subsection (aa)(2) for qualifying children de-
16 scribed in subsection (aa)(1); and”; and

17 (2) by adding at the end the following new sub-
18 section:

19 “(aa)(1) For purposes of subsection (a)(10)(E)(iv),
20 individuals described in this paragraph are qualifying chil-
21 dren (as defined in section 35(c) of the Internal Revenue
22 Code of 1986) whose family income has been determined
23 under paragraph (3) to be less than 150 percent of the
24 official poverty line (as defined by the Office of Manage-
25 ment and Budget, and revised annually in accordance with

1 section 673(2) of the Omnibus Budget Reconciliation Act
2 of 1981) applicable to a family of the size involved.

3 “(2) For purposes of subsection (a)(10)(E)(iv), the
4 cost-sharing assistance described in this paragraph con-
5 sists of a reduction in the amount of copayment applied
6 with respect to an item or service for insurance under sec-
7 tion 35 of the Internal Revenue Code of 1986 to an
8 amount equal to 20 percent of the copayment amount oth-
9 erwise applicable under the insurance, rounded to the
10 nearest dollar.

11 “(3)(A) The Secretary shall promulgate regulations
12 specifying requirements for State plans under this title
13 with respect to determining eligibility of qualifying chil-
14 dren for cost-sharing assistance under this subsection.

15 “(B) The regulations promulgated by the Secretary
16 under subparagraph (A) shall include the following re-
17 quirements:

18 “(i) A State plan shall provide that an individ-
19 ual may file an application for assistance with an
20 agency designated by the State at any time, in per-
21 son or by mail.

22 “(ii) A State plan shall provide for the use of
23 an application form developed by the Secretary.

24 Such form shall—

1 “(I) be simple in form and understandable
2 to the average individual;

3 “(II) in the case of a State with a signifi-
4 cant number of residents with limited English-
5 speaking proficiency, be in languages other than
6 English, as appropriate for the State;

7 “(III) require the provision of information
8 necessary to make a determination as to wheth-
9 er an individual is eligible for assistance, includ-
10 ing a declaration of estimated income by the in-
11 dividual; and

12 “(IV) require attachment of such docu-
13 mentation as deemed necessary by the Sec-
14 retary in order to ensure eligibility for assist-
15 ance.

16 “(iii) A State plan shall make applications ac-
17 cessible at locations where individuals are most likely
18 to obtain the applications.

19 “(iv) A State plan shall require individuals to
20 submit revised applications to reflect changes in esti-
21 mated family incomes, including changes in employ-
22 ment status of family members, during the year.
23 The State shall revise the amount of any cost-shar-
24 ing assistance based on such a revised application.

1 “(C) A determination by a State that an individual
2 is eligible for cost-sharing assistance shall be effective for
3 the calendar year for which such determination is made
4 unless a revised application submitted under subpara-
5 graph (B)(iv) indicates that an individual is no longer eli-
6 gible for assistance.

7 “(D) Determinations made pursuant to this para-
8 graph may be coordinated with determinations of eligi-
9 bility for state-administered health programs to the extent
10 that such coordination brings about administrative effi-
11 ciencies.

12 “(4) If a State determines that a qualifying child is
13 eligible for cost-sharing assistance under this section the
14 State shall notify the health plan in which such individual
15 is enrolled in a timely manner.”.

16 (b) 100 PERCENT FEDERAL FINANCING.—Section
17 1905(b) of such Act (42 U.S.C. 1396d(b)) is amended by
18 adding at the end the following: “Notwithstanding the
19 first sentence of this section, the Federal medical assist-
20 ance percentage shall be 100 percent with respect to
21 amounts expended as medical assistance for cost-sharing
22 assistance described in the last sentence of section
23 1905(a).”.

24 (c) COVERAGE OF COST-SHARING ASSISTANCE AS
25 MEDICAL ASSISTANCE.—Section 1905(a) of such Act (42

1 U.S.C. 1396d(a)) is amended by adding at the end the
2 following: "Such term also includes payment of the cost-
3 sharing assistance under section 1902(a)(10)(E)(iv).".

4 (d) EFFECTIVE DATE.—(1) Except as provided in
5 paragraph (2), the amendments made by this section shall
6 apply to calendar quarters beginning on or after January
7 1, 1998, without regard to whether or not final regulations
8 to carry out such amendments have been promulgated by
9 such date.

10 (2) In the case of a State plan for medical assistance
11 under title XIX of the Social Security Act which the Sec-
12 retary of Health and Human Services determines requires
13 State legislation (other than legislation appropriating
14 funds) in order for the plan to meet the additional require-
15 ments imposed by the amendments made by subsection
16 (a), the State plan shall not be regarded as failing to com-
17 ply with the requirements of such title solely on the basis
18 of its failure to meet these additional requirements before
19 the first day of the first calendar quarter beginning after
20 the close of the first regular session of the State legisla-
21 ture that begins after the date of the enactment of this
22 Act. For purposes of the previous sentence, in the case
23 of a State that has a 2-year legislative session, each year
24 of such session shall be deemed to be a separate regular
25 session of the State legislature.

1 **SEC. 6. GRANTS TO STATES FOR HEALTH INSURANCE OUT-**
2 **REACH AND INFORMATION PROGRAMS.**

3 (a) IN GENERAL.—The Secretary of Health and
4 Human Services (in this section referred to as the “Sec-
5 retary”) shall provide financial assistance to States in
6 order to operate outreach and information programs that
7 meet the requirements specified in subsection (b).

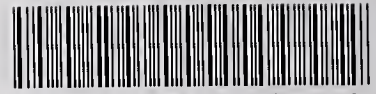
8 (b) REQUIREMENTS FOR OUTREACH AND INFORMA-
9 TION PROGRAMS.—Each outreach and information pro-
10 gram shall—

11 (1) target individuals eligible for access to
12 health coverage under section 9902 of the Internal
13 Revenue Code of 1986, tax credits under section 35
14 of such Code, or cost-sharing assistance under sec-
15 tion 1902(aa) of the Social Security Act;

16 (2) provide comparative information on the poli-
17 cies offered by issuers in the State under sections 35
18 and 9902 of such Code;

19 (3) assist individuals in purchasing policies
20 under section 9902 of such Code; and

21 (4) forward to the Secretary any findings by
22 the State of a pattern of abuse or misrepresentation
23 by the issuer of insurance for which a tax credit is
24 available under section 35 of such Code.



1 The Secretary shall consider findings forwarded under
2 paragraph (4) in determining whether a insurance contin-
3 ues to qualify for purposes of obtaining a tax credit under
4 section 35 of such Code.

5 (c) AMOUNT OF ASSISTANCE.—The Secretary shall
6 determine the amount of financial assistance provided to
7 a State under this section. In determining such amount,
8 the Secretary shall take into account the number of quali-
9 fying children (as defined in section 35(c) of such Code)
10 in the State.

11 (d) APPLICATION REQUIRED.—No State is eligible
12 for assistance under this section unless the State submits
13 to the Secretary an application that is in such form, is
14 made in such manner, and contains such agreements, as-
15 surances, and information as the Secretary determines to
16 be necessary to carry out this section.

17 (e) AUTHORIZATION OF APPROPRIATIONS.—There
18 are authorized to be appropriated for each fiscal year (be-
19 ginning with fiscal year 1998) such sums as may be nec-
20 essary to carry out this section.

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